

# **FAIR POLITICAL PRACTICES COMMISSION**

## **MEMORANDUM**

**TO:** Chairman Getman, Commissioners Deaver, Makel, Scott and Swanson

**FROM:** Cyrus J. Rickards, Chief, Enforcement Division  
Alan Herndon, Chief Investigator  
Jon Wroten, Investigator

**DATE:** May 23, 2000

**SUBJECT:** MAJOR DONOR PROGRAM

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### **I. OVERVIEW**

The Major Donor Program is being implemented by the Fair Political Practices consistent with the FPPC's Mission<sup>1</sup> and as directed by the Commission in September 1999.

The goal of the Major Donor Program is to encourage voluntary compliance with the campaign statement filing requirements for major donors. This will be accomplished through the early identification, outreach, support, assistance and follow-up of individuals who may fall under the program. Expedient enforcement will follow for those persons not complying with their responsibilities under the Act<sup>2</sup>. Because data at the Secretary of State's Office is limited to state level committees and because of internal staff limitations, this proactive program, at least in its initial stage, will only cover major donors contributing to state level committees. Complaints or referrals regarding local cases, which meet the program's criteria, will be dealt with in the same manner as those cases developed proactively.

To accomplish these goals, the program will have four distinct elements. Each element will build on the previous, toward the successful accomplishment of the program goals and objectives. The major donors for the 2000 calendar year have a filing requirement on July 31, 2000.

### **II. PHASE ONE - IDENTIFICATION**

Working in partnership with the Secretary of State, the FPPC Enforcement Division will compile a list of all persons<sup>3</sup> who have made at least a single contribution of \$2,500 to a state candidate or committee during 2000. Through a preliminary review of the persons in the database, these individuals will be placed into one of two categories, large contributors and major donors<sup>4</sup>.

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<sup>1</sup>The Mission of the Fair Political Practices Commission is to promote the integrity of representative state and local government in California through fair, impartial interpretation and enforcement of political campaign, lobbying, and conflict of interest laws.

<sup>2</sup>The 'Act' refers to the Political Reform Act (California Government Code §81000, *et seq.*

<sup>3</sup> Only persons that do not have other mandatory filing requirements as an existing committee will be included in this program.

<sup>4</sup> Government Code § 82013(c) Major Donor Committee is defined as "any person or combination of persons who directly or indirectly makes contributions totaling ten thousand dollars (\$10,000) or more in a calendar year to or at the behest of candidates or committees. A person or combination of persons that becomes a committee shall retain its status as a committee until the end of the calendar year in which qualified (Regulation 18404(a))."

Large Contributors - These are persons who have contributed at least \$2,500 in a single contribution. It is reasonable to assume that persons making a single contribution of \$2,500 or more may have made additional contributions that when combined reach the \$10,000 major donor threshold.

Major Donors - These are persons who have contributed \$10,000 or more in a single contribution or persons whose combined contributions can be easily identified as meeting the \$10,000 major donor threshold.

### **III. PHASE TWO - EARLY OUTREACH**

Major Donors will be contacted by letter. They will be informed that it appears they have met the threshold and have a required filing obligation.

Large Contributors may be contacted with a letter informing them of the filing requirements. This is a courtesy contact, which will clearly indicate that they should disregard the letter if they do not meet the filing requirement thresholds.

This contact and information will be provided by June 30, 2000, approximately 30 days prior to the filing deadline of July 31, 2000.

Attached is a sample letter that will be sent to the major donor group.

### **IV. PHASE THREE - ASSISTANCE AND MONITORING**

All persons contacted will be provided with the FPPC's web site address which will contain basic campaign disclosure information along with additional resources, contacts and answers to frequently asked questions.

For individuals without Internet access, the FPPC's Technical Assistance Division's telephone number will also be provided.

### **V. PHASE FOUR - FAILURE TO FILE ENFORCEMENT**

Expedient enforcement action will be taken against those who fail to voluntarily comply with the filing requirements in a timely manner.

Within thirty days of the July 31, 2000 filing deadline, a list will be compiled with the assistance of the Secretary of State's Office identifying those individuals who have filed major donor reports. This list will be cross-referenced with the previously identified major donors from Phase One.

An enforcement investigation will be initiated as to those individuals and committees that were identified as major donors and who failed to voluntarily comply with their filing responsibilities under the Act after being sent the early contact letter in Phase Two. In anticipation of future enforcement actions involving major donor committees, we would like to review the streamlined fine schedule summarized below which was approved by the Commission on September 10, 1999.

**MAJOR DONOR CASE  
STREAMLINED FINE SCHEDULE**

VIOLATION	Total Contributions Under \$25,000.	Total Contributions \$25,000 - \$49,999
Section 84200	\$400.00	\$600.00
Section 84203	\$600.00	\$1,000.00

(Approved by the Commission September 10, 1999)

**LATE CONTRIBUTION VIOLATIONS (SECTION 84203)**

Last fall, the Commission approved a fine schedule for late contribution violations by major donor committees as reflected in the above table. For unreported contributions of \$50,000 or more, a fine would be determined on a case-by-case basis.

We recommend that all late contribution violators, including major donor committees, be assessed fines based on the new streamlined LCR fine schedule proposed to the Commission on June 2, 2000. This would remove the LCR violations from the above Major Donor fine schedule. Only failure to file Major Donor Statement violations would be subject to the above fine schedule. All LCR violations would be subject to the newly proposed LCR streamlined fine schedule. We believe the Commission is justified in raising the fine level for late contributions from major donor contributors because we are prosecuting violations on a more timely proactive basis, rather than a reactive basis 2-4 years after the effected election. Additionally this creates uniformity in handling cases and does not create a different class of violator as determined by the fine schedule.

*Action Requested: The Commission approve including major donor committees in the late contribution standard fine schedule, removing those late contribution violations from the major donor program fine schedule.*

In the fine schedule for major donor committees approved by the Commission in September 1999, the fine for unreported late contributions of \$50,000 or more was determined on a case-by-case basis. We recommend that the Commission remove the \$50,000 cap for late contribution violations by major donor committees. This would allow all late contribution violations regardless of size, or type of committee, to be handled under our new Streamlined Program for late contribution violations.

This approach will simplify resolution of these cases and allow all violators, including major donor committees, the option of an expedient consistent resolution of cases where late contributions were not properly reported. All respondents may opt out of the streamlined program and exercise their rights to the full administrative and civil process.

*Action Requested: The Commission eliminate the \$49,999 limit on cases being eligible for the streamlined late contribution program and direct staff to process all late contribution reporting violations under the new program.*



## FAIR POLITICAL PRACTICES COMMISSION

P.O. Box 807 • 428 J Street • Sacramento, CA 95812-0807

(916) 322-5660 • Fax (916) 322-0886

[date of letter]

[name]

[street]

[City, CA zip]

Dear [greeting]:

We are writing regarding important California filing requirements that pertain to you. These requirements apply to persons and committees that are considered "major donors" under the Political Reform Act (California Government Code §81000 *et seq.* "The Act").

A major donor is anyone who contributes a combined total of \$10,000 or more to a campaign(s) during a calendar year (Government Code Section 82013, subsection (c)). Major Donors who contribute to state candidates and committees are required to file a major donor form with the California Secretary of State's office along with other local offices by July 31, 2000 (Government Code Section 84200 *et seq.*).

Public records at the Office of the Secretary of State indicate that you have made the following contributions that total \$10,000 or more during the 2000 calendar year and therefore are required to file a Major Donor Committee Campaign Statement – Form 461 under the Act unless you are qualified and required to file as some other type of committee (i.e. recipient committee):

*[List of contributions]*

If these records are correct, please insure your report is filed not later than July 31, 2000. In addition, Major Donors contributing \$100,000 or more between January 1 and June 30 are required to file their reports electronically. If these records are in error and you have not contributed a combined total of \$10,000 or more during 2000, please disregard this letter.

If you have questions regarding your filing requirements under the Act, you may call our Technical Assistance Division at (916) 322-5660. Our web site also has information and contacts available at [www.fppc.ca.gov](http://www.fppc.ca.gov).

This notice has been sent to you as a courtesy by the FPPC. Thank you for taking time to review this information. Your prompt attention to the July 31 filing deadline will be appreciated as reports filed late can result in an enforcement action and imposition of fines.

Sincerely,

Technical Assistance Division